

# Business Planning Considerations for Integrated Care

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*Burlington, Vermont*

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In order to understand how to  
plan for the business, it's  
necessary to first understand  
common operational problems  
with the business

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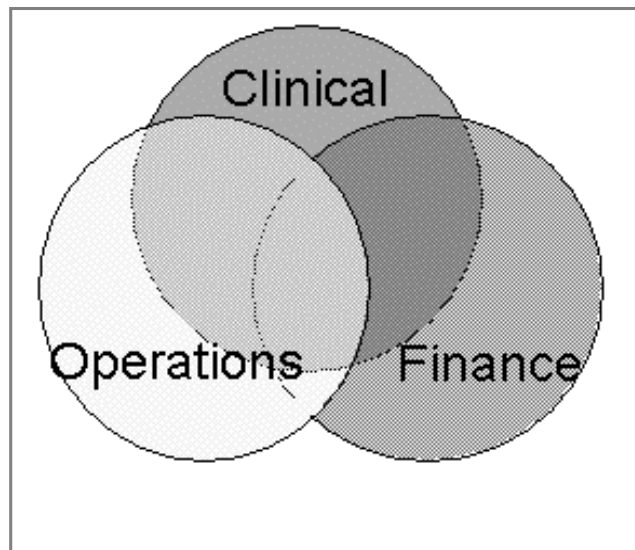
## Full Integration creates challenge

- Given model structure, fully integrated models are subject to the common operational problems of both the managed care and long-term care industries
- Most problems do not occur in a vacuum and usually occur in likely combinations

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## Significant Overlap between Administrative Systems



## Risk Management

- Effective financial risk management is predicated on effective clinical management
- Effective clinical management is built on effective program administration and solid operations

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## Three Main Pieces to the Integrated Care Puzzle

- Enrollment brings the beneficiary and revenue into the program (FINANCE)
- Clinical services evaluates and manages the care for the beneficiary (CLINICAL)
- Service delivery systems provide services to the beneficiary as they are needed (OPERATIONS)



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## Effective Management

- Ability to focus on enrollee maintenance of social and physical function
- Offset of intensive health services with extensive supportive services and monitoring
- Effective integration of healthcare service sectors at the interdisciplinary team level
- Ability to integrate clinical assessment with service delivery components

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## Common Problems with Administration and Operations

- Inability to gain market share
  - Critical during first one-two years of operations as enrollment pool is usually low and program costs disproportionately high
  - Assertive marketing and outreach plan
- Undercapitalizing Operations and Reserves
  - Financial exposure can be high
  - Impacts projections around break-even achievement and positive cash flow
  - Ensuring resources exist to cover fixed costs, routine services, and, especially, higher cost variable services (acute care, nursing home)

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## Common Problems with Administration and Operations

### Unrealistic Projections

- Revenue and expense projections prone to be unrealistic in business
  - High confidence in the product/program/service;
  - Inexperience of the executive or marketing director;
  - Failure to forecast and reforecast projections based on operational experience;
  - Failure to develop effective referral stream;
  - Failure to position product in the community's continuum of long-term care;
  - Failure to use brand to full potential
- Although high enrollment projections can motivate a marketing director, these projections should be tied to financial forecasting

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## Common Problems with Administration and Operations

### Unrealistic Projections

- Underestimating medical expenses or overestimating the ability to manage service utilization is common in new programs
- Insufficient medical direction will show in service utilization trends
- Disregard for outlier cases as part of overall utilization trends

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## Common Problems with Administration and Operations

- Uncontrolled Growth and Overextended Management
  - Rapid growth can deluge system and administrative capacity
  - Resources become outstripped and is reflected in utilization (e.g., failure to educate provider panels)
  - Poorly developed interdisciplinary team practice patterns emerge, especially if span of management control is concentrated in a few administrators
  - Insufficient reserves
  - “Dandelions”

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## Common Problems with Administration and Operations

- Improper IBNR and Accrual Methods
  - Accounting of liabilities is different in managed care
  - Must accrue the estimated cost of outstanding services
  - Rapid growth= need for increased IBNR
  - Payment cycle can sometimes be 60-90 days post claim date
- Ineffective Statistical Reporting Systems
- Failure to control the provider/contractor panel
- Segmented Operational, Clinical and Financial Systems
- Failure to adequately equip the interdisciplinary team with effective tools and systems (e.g., cumbersome service authorization systems)

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## Business Plan Elements

- Environmental Analysis
- Organizational Structure
- Service Area/Locations of Care
- Operations
- Marketing/Intake
- Financial Analysis
- Exit Strategy

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## Environmental Analysis

- Market Summary/Industry Trends  
(Consumer, State and Federal)
  - State has significant impact
- Estimating the pool of prospective enrollees
  - Market and demographic segmentation
    - Age, disability, income
- Competitive and Demand Analysis
  - How does the service differentiate itself from others?
  - How does the provider differentiate itself?

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## Organizational Structure

- Sponsorship
  - Who?
- Governance
  - How?
- Mission, Vision and Values
  - Why?
- Leveraging complementary service lines
- Management and corporate functions

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## Service Area/Location of Care

- What is the service area?
  - ZIP codes, Counties, Regions
- How might expansion occur?
  - 1 year? 3 years? 5 years?
- Where are the service access points?
  - How do we ensure quality services and interdisciplinary oversight?
- How do these service points function?
  - Who provides the services?

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## Operations

- How will services and care management be integrated?
- What services do not exist today that will need to be developed/altered?
- Payment considerations

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## Marketing

- Product definition
- Marketing message
- Competition
- Positioning
- Communication and launch strategies
- Projections
- Success metrics

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## Financial Analysis

- Pro forma type analyses
- Critical variables:
  - Membership (Per Member Per Month)
  - Revenue variables (acuity, diagnostic score, Medicaid rates)
  - Inpatient care (hospital, nursing home)
  - Staffing
- Debt financing (working capital, reserves, property/equipment)
- Net income point (Membership, Operation Month)
- Break even point (Membership, Operation Month)

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## Exit Strategy

- Business conditions and circumstances in which the program may be phased out
- Identify methods for monitoring critical indicators
- Considerations for ensuring care throughout phase down plan

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